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Taxation in American Cities

A Symposium

Buffalo.—A. C. RICHARDSON, Buffalo, N. Y.

Cincinnati.—MAX B. MAY, Cincinnati, O.

New Orleans.—JAMES J. McLOUGHLIN, New Orleans, La.

Detroit and Grand Rapids.—DELOS F. WILCOX, Secretary Detroit Municipal League.

Milwaukee.—JOHN A. BUTLER, Milwaukee, Wis.

Washington, D. C.—GEORGE S. WILSON, Secretary Board of Charities of the District of Columbia, Washington, D. C.

Seattle.—PROF. J. ALLEN SMITH, University of Washington, Seattle.

Duluth.—W. G. JOERNS, Duluth, Minn.

Municipal Taxation in Holland.—PROF. H. KIERSCH, Rotterdam, Holland.

BUFFALO

BY A. C. RICHARDSON, Buffalo, N. Y.

The sources of revenue, aside from general taxation, are as follows:

1. The Bureau of Water. Receipts from this source suffice to pay running expenses, principal and interest of water-bonds as they fall due, and a small surplus besides.
2. Local assessments for particular improvements such as sewers, sidewalks and pavements. These are paid by the property benefited.
3. Funds received from the State for the Department of Public Instruction amounting to \$150,000 a year.
4. Fines and fees from Police Department and Municipal Court.
5. License fees from park and other departments.
6. Interest added to taxes for delayed payments.
7. Funds from the State for excise licenses.
8. Interest on bank deposits.
9. Rents from markets and other city property.
10. Franchise taxes and percentages of receipts paid by street railroad and other corporations.

About 64 % of the total revenue is raised from general taxation, the system being as follows:

1. The Assessors compile the assessment rolls on or before Jan. 2 in each year, and these rolls are open for inspection and correction until Jan. 22.

2. Heads of City Departments submit to the Comptroller on or before Feb. 1 of each year detailed estimates of the expenses of their departments for the coming fiscal year (fiscal year commences July 1).

3. The Comptroller revises these estimates, and on or before March 1st presents to the Board of Aldermen an estimate of the amount necessary to be raised by general tax, specifying in detail the amount estimated for each department, and including all the interest of the bonded debt of the city to fall due within the fiscal year and at least \$100,000 to apply on the principal.

4. After the expiration of one week from the date when estimates are presented by the Comptroller, the Board of Aldermen proceed to consider the Comptroller's estimates. By a vote of two-thirds of all the members elected they may alter or amend the same, and must finally pass upon them before March 24.

5. The estimates as passed by the Aldermen then go to the Board of Councilmen, who may alter or amend, and by a vote of two-thirds of all the members elected must pass finally upon them before April 15th.

6. Having been adopted by both boards, the estimates go to the Mayor, who at any time before May 1st may disapprove, strike out or reduce any item except that of the \$100,000 to be applied on the principal of the bonded debt. But he cannot *increase* any item.

The estimates of the Comptroller stand as to all items not altered or amended by both Boards or changed by the Mayor. The sum total of the adopted estimates, that is, the total estimated expense less estimated resources, stands as the amount to be raised by general tax.

7. As soon as practicable after the adoption of the estimates the Comptroller "spreads" the taxes upon the taxable property, setting down opposite the respective valuations in the assessment rolls that have been prepared by the Assessors the sum to be paid as a tax, including the *local* assessments that were unpaid May 1st.

8. On the first of June, or as soon thereafter as practicable, the Comptroller delivers the tax rolls to the Treasurer. The latter gives notice to the taxpayers, by publication in the official paper, that the rolls have been received; and payment of taxes can be made without additions any time before the expiration of one month. At the end of one month an addition of one per cent. is made to all unpaid taxes, and one-half of one per cent. each additional month until March 1st, after which he returns to the Comptroller a list of all unpaid general city taxes. The Comptroller then proceeds to sell the property for unpaid taxes according to law.

The assessment of real estate is believed to be from 70 % to 90 % of its market value. This assessment in 1904-5 amounted to \$241,990,060, while the personal property was assessed at \$7,038,500. It is not possible to ascertain what proportion of personal property is actually reached by taxation.

The State law does not fix any limit to the tax rate, which has varied greatly during the last ten years, as follows:

Year.	Rate per \$1,000 of valuation.
1896	\$15.02
1897	14.18
1898	18.04
1899	18.21
1900	17.46
1901	18.14
1902	17.20
1903	17.37
1904	18.79
1905	19.595

For this year, 1906, the rate will be about \$22.00 per thousand. One reason for this great increase this year is probably the fact that certain court decisions regarding street railway franchises have cut down some resources that were formerly available. It is believed also that tax-rates are often made artificially low by cutting down appropriations below the necessary point for efficiency, and borrowing money on "deficiency bonds" to make up the necessary amount. The low tax-rate makes a show of economy for use as political capital.

The people of course do not like high tax-rates; but they have never shown any disposition to do anything effective about it so far as the writer has been able to observe.

CINCINNATI

By MAX B. MAY, Cincinnati, Ohio.

The city revenue is derived from various sources, to-wit; taxes, special levies, licenses, Dow liquor tax, annual rental for use of the Cincinnati Southern Railroad, which amounts to over a million dollars per annum, and nearly a million dollars as income from the city Water works which are owned and operated by the city and about \$250,000 as percentage on city railway receipts.

It is difficult to state in exact figures, the relation of revenue from taxation to the total revenue, inasmuch as in the report of the Auditor, there is included besides revenue derived from other sources than taxes, the amount of money annually raised by sale of bonds for public improvements. If, however, these be eliminated in any one year, it would be safe to state that more than one-half of the amount of money annually received by the city exclusive of school taxes, is raised from taxation.

In Ohio there are three distinct levies that go to make up the total taxes levied upon property, to-wit; the city tax rate, the county tax rate and the State tax rate. The taxes are levied upon real estate and personal property, there being in Ohio what is known as a general property tax. In addition to this, there are special taxes, such as the Dow liquor tax, which at the present writing is \$350.00 for each saloon. (An increase to \$1,000.00 seems probable.) Two tenths (2-10) of this amount is paid for the use of

the city infirmary and five tenths (5-10) is paid to the city, one half ($\frac{1}{2}$) to the credit of the police fund and one half ($\frac{1}{2}$) to the credit of the general fund of the city. Besides these taxes and special taxes, the State receives large receipts such as franchise taxes on railroads, express companies and a general corporation tax, but no part of the money thus raised is received by the city.

There is a decennial appraisement made of the real property for taxation; the last having been made in 1900 and in Hamilton County in which Cincinnati is situated, the property is appraised at about 60 per cent. of its market value. In 1904 and 1905 the total amount of real estate within the city proper, was \$180,528,850. The total amount of personalty returned for taxation was \$47,126,850 and all personal property tax in Ohio has been a failure.

Intangible personal property can not be reached by the assessors, and even tangible personal property is not returned to any great extent. In 1904 there was returned in Hamilton County, as money in bank, about \$1,226,068; in 1866 the total amount of money returned for taxation in the State was \$41,295,108, and in 1904, thirty-eight years thereafter, there was only returned \$61,425,130. In 1866 the amount of credits returned for taxation was \$72,658,344, and in 1904, \$79,580,579. In 1866 there were returned in the whole State of Ohio, 99,513 watches valued at \$2,524,025 and in 1904, thirty-eight years thereafter, there were only 74,344 watches valued at \$1,074,615. From this it can be readily seen that Ohio is in the same position as the rest of the country as regards taxation of personal property.

The last rate of taxation was 22.38 per cent. These items are made up as follows: 1.35 % for State; 4.12 % for educational purposes; 12 % for city purposes; 4.91 % for county purposes. The City of Cincinnati is restricted to a levy of 10 %, exclusive of the levy for county and State purposes, for school and schoolhouse purposes, for public libraries and library buildings; for university and observatory purposes; for hospitals and for sinking fund and interest, unless a greater tax be authorized by two-thirds vote of the people after the same shall have been referred to them by Council. The last city levy exclusive of the schoolhouse levy was 12 mills. In this 12 mills, there was included 3.874 mill levied for hospital, university, observatory and sinking and interest fund, so that the total city levy was 1.874 mills under the maximum rate per minute. During the last ten years the rate of taxation for all purposes has been as follows:

1896	\$26.40 per \$1000.00	1901	\$24.82
1897	\$26.18 per \$1000.00	1902	\$23.18
1898	\$25.30 per \$1000.00	1903	\$22.70
1899	\$25.74 per \$1000.00	1904	\$22.54
1900	\$25.98 per \$1000.00	1905	\$22.38

It will thus be seen that the rate has been steadily decreasing during the last ten years. Part of this reduction is accounted for by the fact that in 1900 the tax duplicate was largely increased by raising the value of the real estate within the city and county. The reason that the rate has steadily decreased is that the dominant political organization known as the Cox

machine has made political capital of the fact that it has kept down the tax rate. This the organization was able to do because it controlled all the officials who fixed the tax rate and the special school levy was kept as low as possible and their public improvements were stopped and large bond issues were made instead of securing the funds by means of taxation.

It is difficult to state what the attitude of the public is toward an increase in the rate of taxation. Cincinnati is a very conservative community and it is doubtful whether the people would maintain in power an administration which would radically increase the tax rate. However it seems that within the next few years the tax rate will have to be raised and that if it is done gradually the people may favor an increase especially if the increased revenues are used for educational purposes and for such public improvements that are absolutely necessary. The present legislature has enacted a law which fixes the minimum school levy at 6 mills per dollar. This in itself is an increase of 1.88 over last year's levy.

NEW ORLEANS, LA.

By JAMES J. McLOUGHLIN, New Orleans, La.

The revenue of the City of New Orleans annually amounts to about four and one-half million dollars. The budget for 1906 is based upon estimated receipts of \$4,505,034.22. Of this amount, \$42,500 comes from licenses from merchants and others who carry on business in the city, \$191,000 from rents of stalls in the public markethouses, \$60,000 from penalties imposed upon taxpayers who are slow in paying taxes, \$25,000 fines paid by misdemeanants in the courts, \$14,000 from banks for interest on city deposits, and \$37,000 from sundry small items: this leaves the balance, say \$3,753,500, raised by direct taxation on real and personal property. In short, the annual revenue of this city comes, 83 % from direct taxes, and 17 % from other sources. Beyond the public markethouses, we have no municipally owned public utilities producing any revenue of consequence.

Our system of taxation, roughly speaking, is to get all out of real estate that we can make it bear, the usually accepted rule being to fix the assessment at a figure that will make the total tax on the real estate equal to 30 % of the rents derived therefrom: where a store brings \$5,000 per annum rent, it is assessed on the tax rolls at a value of \$50,000, and as the tax rate is 29 mills on the dollar, that makes the tax 29 % of the rent. Last year, our Governor issued orders to the State Assessors to raise the assessments and as a result, in some instances, this year the tax will equal 40 % of the rents and revenues.

Taxes are based upon a valuation fixed annually by Assessors: there is usually one Assessor for each county, except for New Orleans, where we have seven, one for each of the seven districts into which this city is divided. These assessors are all appointed by the Governor, and removable by him, but their appointment is subject to confirmation by the State Senate.

Their term of office is four years. They are practically supreme in all matters of assessment. In former years, there was an appeal from their decisions fixing values to the municipal body charged with raising and expending the taxes: but that has been taken away from the city authority by recent legislation. The Assessors are thus seen to be State officials, but as the valuation fixed by them is binding on the city, their action in assessing property values forms the foundation of all municipal revenue. By a cumbrous system of assessment, there is practically no appeal even to the courts from the values fixed by these Assessors. The law requires all tax payers to file with the Assessor, within a short time (10 days after receiving a blank form served on him by the Assessor) after 1st January of the tax year, a sworn statement of the description and cash value of all his property: in March, the Assessor opens his books for public inspection, and if instead of taking the property owner's valuation, he has placed a higher one of his own, the property owner must appear before the Assessor, and make a sworn statement, asking for a reduction to what he deems the proper figure. The Assessor then considers this document, and if he grants it, the reduction is made: if he refuses it, the taxpayer must go to the courts and bring suit for reduction. This suit is entirely at the taxpayer's cost, whether he wins or loses, because, being against an official State body, there is no legal provision for payment of costs in cases where the State is cast. As the great bulk of taxation is borne by small property owners, and as the expense of lawyer and court would in most cases be more than the difference in tax saved, suits for reduction of assessments are usually confined to corporations and large taxpayers. If the property owner fails to make the original sworn return of value, he is debarred from any recourse either to the Assessor or the court, but must abide by the Assessor's valuation, even though it be ten times the value. And if after making the sworn return, he fails to appear before the Assessor, and make the second sworn application, he is by law thereby debarred likewise from filing suit in court for the reduction.

This same law which makes it so difficult for a property owner to reduce his assessment, permits the City Council to increase the Assessor's valuation, if it sees fit to do so.

All the foregoing provisions apply to the valuation of property in general, but property used in the business of railways, telegraphs, telephones, sleeping cars, and express companies, is appraised by a special body composed of the State Auditor and six other citizens, whose valuation governs all municipal bodies.

In valuing property, the law requires it to be assessed at its full cash value, and, in the City of New Orleans, this is practically done with all real estate; as to personal property, it is not assessed at its real value. Consisting principally of merchandise, cash, stocks, bonds, etc., it is impossible for assessors to ascertain its value, or rather, its quantity, with any reasonable accuracy, and as a result, the dissatisfaction with the assessment on personalty is profound. Public franchises are assessed at very low figures. It is impossible to do more than guess at an answer to the question, "To what extent is personal property actually reached by taxation?" but I should say

that probably 60 % of it escapes taxation entirely. The valuations for the city for this year are now being made, and will be completed during April, but the Municipal Budget for 1906 estimates them as follows:— and these figures will be substantially correct:

Real estate	\$111,712,871.00
Personal property	48,298,434.00
Real and personal belonging to corporations assessed by special board	10,572,069.00

Total assessment\$170,583,374.00

The tax rate is 29 mills on the dollar, of which 22 mills is for the city and 7 mills for the State. The Constitution of the State limits the rate to 10 mills for the city, and 6 mills for the State, but by special vote of the taxpayers, an additional 2 mill tax is levied for sewerage, water and drainage construction, and by a special constitutional provision a 1 mill levee tax is also levied. The other 10 mills included above are devoted to the consolidated debt of the city, and are over and above the 10 mill legal limit. In short, under the constitution of the State, we have to pay 10 mills for old debts, existent before its adoption, and for subsequent debts and alimony the city is restricted to an additional 10 mills. These two 10 mill taxes plus the State, levee, and sewerage taxes, make up the total of 29 mills. This rate has remained unchanged for ten years, excepting that the special 2 mill sewerage tax was imposed in 1899.

The people feel they are heavily taxed, and agitation is now beginning to reform the method of levy, which, however, has not yet assumed great strength but within the next three or four years there is little doubt that while the volume of taxes may not be increased, their burden will be shifted measurably from the small taxpayer to those better able to bear it.

DETROIT AND GRAND RAPIDS, MICHIGAN.

By DELOS F. WILCOX, Secretary Detroit Municipal League.

The main sources of revenue in Michigan cities are,

1. The general tax levy.
2. Special assessments.
3. Liquor license fees.
4. Contributions from the State primary school funds.

Of course the cities also receive large amounts from loans, but they are not included here, for the reason that they have to be repaid ultimately from some of the other sources. The total net receipts of the City of Detroit for the last fiscal year, not including loans, refunds, etc., were about \$5,565,000, of which \$4,122,000 or 74 % was from the general tax levy, \$439,000 or 8 % was from special assessments, \$325,000 or 6 % was from liquor licenses, \$283,000 or 5 % was from contributions to the public schools from state funds.

The city also received about \$28,000 from miscellaneous licenses, \$43,000

from franchises, \$25,000 from fees, \$9,000 from rents, \$17,000 from fines, \$69,000 from interest on daily balances, \$25,000 from profits on industries conducted at the Detroit House of Correction, \$23,000 from sales of miscellaneous materials, \$32,000 from premiums on sales of bonds, \$84,000 from services, made up for the most part of inspection on contracts, bath house and phaeton services at Belle Isle Park, etc.

In Detroit the proportion of receipts from special assessments is low, for the reason that all repaving work is done at the expense of the city at large.

The accounts of the Detroit water department are not included in the general statement of receipts and expenses. The receipts from water rates and various permits and items for labor, material and repairs furnished by the water department amount to about \$600,000 a year, of which \$75,000 is paid by the City of Detroit from the general tax levy, making the net receipts of the water department approximately \$525,000. The total receipts of the Grand Rapids water department are approximately \$150,000, of which about \$20,000 is paid by the city from general taxes.

In Grand Rapids, the city revenue is derived from the same general sources as in Detroit. Special assessments, however, contribute a much larger proportion, as not only first improvements, but all succeeding street improvements are paid for by adjacent property, with the exception of the cost of improving street intersections and the part of the street occupied by the tracks of the Street Railway Company.

The system of taxation in Detroit and Grand Rapids is the usual one based on the general property tax. In each city, there is a Board of Assessors which determines the valuation of all property. In Detroit, land and improvements are separated on the rolls, though not in the receipts given for taxes. The assessment of real estate is very nearly 100 % of its market value, though there are considerable variations from street to street, and, especially in Grand Rapids, there are complaints of discrimination. In Detroit, vacant land is assessed at full value. The only noticeable discrimination is that platted land is assessed much higher than unplatted land in the same general location. In Grand Rapids, unimproved land is probably assessed somewhat lower than improved land. The total assessment of real estate in the two cities for the year 1905 was as follows:

Detroit	\$200,304,940
Grand Rapids	\$ 50,424,805

Personal property is assessed more generally in both cities than in many other parts of the United States. In Detroit in 1905, it was assessed at \$86,963,730, and in Grand Rapids at \$24,082,221, showing 30 % and 32 % of the total assessments in the two cities respectively.

There is no limit fixed by the State upon the tax rate in Detroit. The Grand Rapids Charter, however, contains a clause limiting the rate for general city purposes, not including school taxes and taxes necessary to pay the principal and interest of the public debt, to \$1.00 on a thousand. In Grand Rapids, the school taxes are levied with the county and State taxes. In Detroit, the school taxes are levied as a part of the city taxes. The total

tax rate last year in Detroit was \$17,797 in a thousand. The total tax rate in Grand Rapids for 1904 was \$15,329 in a thousand.

The rate of taxation for State and county taxes alone was \$3.093 in Detroit last year. I do not have the figures at hand for the State and county tax rate for preceding years. It may be said, however, that the gross amount of State taxes has been rapidly increasing, though with fluctuations in alternate years. The legislature has biennial sessions in Michigan. The year after the regular session always sees a high tax rate.

The tax rate in Detroit for city and school purposes during the last ten years has been as follows:

1896	\$15.596	1901	15.695
1897	17.683	1902	17.294
1898	15.992	1903	16.570
1899	16.332	1904	15.327
1900	15.403	1905	14.703

The tax rate in Grand Rapids shows much greater fluctuations on account of the greater fluctuation in assessments. The valuation of property in Grand Rapids was less than \$28,000,000 in 1899. By 1902, it had been "boosted" to \$70,500,000. This was due to the activity of the State Tax Commission. The increase in valuations in Detroit has been much more gradual. In 1899, the valuation was \$217,000,000. In 1902, it had increased to \$249,500,000.

The total general tax rate for all purposes in Grand Rapids during the ten years from 1895 to 1904 inclusive was as follows:

1895	\$33.460	1900	20.421
1896	30.164	1901	17.328
1897	31.477	1902	13.936
1898	28.382	1903	14.917
1899	30.331	1904	15.329

While these figures do not give a basis for an accurate comparison of the tax rates in the two cities, it is evident that the Detroit rate is considerably higher. The investigators for the United States Department of Commerce and Labor found the true city tax rates in 1903 to be \$16.57 in Detroit and \$10.23 in Grand Rapids, school taxes included in both cases.

Detroit does not seem to consider itself heavily taxed, although every year there is a great ado over the estimates. The city is protected, however, by a peculiar system which insures very careful consideration of the budget. The estimates are first presented to the Common Council and worked over in detail by that body. They are then passed on to the Board of Estimates, a mixed body, consisting for the most part of representatives elected in the same way and from the same districts as the aldermen. The Board of Estimates has authority to cut down any of the items of the budget, but cannot insert new items or increase the allowances as passed by the Common Council.

In Grand Rapids, there has been in recent years a great deal of complaint about taxation. While the rate of taxation has been greatly reduced from the figures six or eight years ago, this was accomplished by an extraordinary increase in valuations, and many of the citizens think they pay more at the

present low rate than they did formerly at the high rates with lower valuations. Another cause of serious complaint has been the heavy special assessments levied on a large percentage of the property-holders for street improvements and sewers. It is believed that the Detroit system of putting upon the city at large the burden of repaving streets, although it tends to raise the general tax rate, causes less complaint than the Grand Rapids system where large numbers of citizens are very heavily hit for re-improvement taxes.

Reference should be made to the different methods of dealing with the taxation of street railways. The street railway system of Grand Rapids is taxed uniformly for state, county, and city purposes. The valuation of the personal property is \$2,000,000. In Detroit, however, in lieu of ad valorem taxation for city and school purposes, there is a tax of gross receipts which netted the city last year \$42,683. The personal property of the Detroit United Railway is valued at \$10,250,000. As just noted, this property is exempt from city taxes, but is subject to state and county taxes. If it had been taxed on an ad valorem basis, like other property, Detroit would have received \$150,000 last year, in lieu of the \$42,683 received from the percentage of gross receipts.

In both cities, and everywhere in Michigan, under the general property tax, the effort to secure the assessment of personal property results in failure in a large percentage of cases. Aside from listing personal property which is visible, the assessors select such persons as they believe to have other personal property and require them to make sworn statements in regard to it. If the property owner neglects to make such a statement, the assessors guess at the amount of his property and he has to pay taxes on that amount unless he goes in and swears it off. The result is that when men having considerable personal property begin to be assessed on an uncomfortably large percentage of it, they go in and swear off the assessment.

MILWAUKEE, WIS.

JOHN A. BUTLER, Milwaukee, Wis.

The main sources of Milwaukee's revenue are direct taxation and license fees. About \$3,795,158.00 are raised annually by direct taxation, and \$675,170.00 from licenses. The ad valorem system is complemented by the license system in the case of such corporations, as the street railway, electric lighting companies, telegraph and telephone companies, and insurance and trust companies, and saloons. The statutes provide that "real property shall be valued by the Assessor at the full value which could ordinarily be obtained therefor at private sale." The total assessments for 1904 and 1905 are respectively as follows:

	1904	
Real Estate	Personal Property	Total
\$146,604,786.00	\$37,716,905.00	\$184,321,691.00
	1905	
\$152,037,355.00	\$39,217,415.00	\$191,254,770.00

Every effort within the limits of honesty appears to be made by Assessors to assess all property under the existing statutes, but the adequate assessment of personal property under present conditions is difficult if not impossible.

The city charter limits the rate of taxation for city purposes to 17½ mills on the assessed valuation of real and personal property. The following table gives the rate of taxation for the last ten years:

COMPARISON

OF AVERAGE RATES AND TOTAL LEVIES FOR CITY, STATE AND COUNTY PURPOSES, 1894-1905.

YEAR.	Total Valuation.	Levy for all City Purposes.	Average Rate for all City Purposes.	State and County Levy.	Rate for State and County Taxes.
			MILLS.		MILLS.
1894	\$142,926,395.00	\$2,525,719.18	17.671465	\$673,306.85	4.710864
1895	142,078,753.04	2,482,382.85	17.4718877	852,553.14	5.980839
1896	143,771,619.48	2,479,585.95	17.2466997	928,286.94	6.4386932
1897	144,684,425.46	2,474,149.24	17.100315	871,456.07	6.0231505
1898	147,229,428.05	2,577,770.31	17.5085264	811,878.03	5.5143733
1899	151,971,903.36	2,551,944.14	16.792220	802,596.87	5.28121878
1900	158,174,873.15	2,772,313.51	17.52688942	888,452.36	5.61689946
1901	165,224,887.00	2,642,654.92	15.9942903	1,068,649.37	6.4678475
1902	171,881,364.00	2,741,537.48	15.977181	1,271,059.25	7.394980
1903	180,018,546.00	3,040,352.12	16.8891049	1,127,504.11	6.2632664
1904	184,321,691.00	3,213,449.58	17.4339198	1,004,859.49	5.4516616
1905	191,254,770.00	3,379,394.52	17.6695960	1,285,886.35	6.72342107

WASHINGTON, D. C.

By GEORGE S. WILSON, Secretary Board of Charities of the District of Columbia, Washington.

The main sources of revenue in the city of Washington are taxes on real and personal property, licenses, fines, and fees. There is also an income of nearly \$400,000 from water rents, the water supply being a municipal function; but this income is not, in these notes, considered as a part of the revenue, because the income is used for the maintenance and operation of the system. The policy in conducting the water department is to make it just about self-supporting, and not to make it a source of city revenue.

The total revenues of the District of Columbia for the fiscal year ended June 30, 1905, exclusive of the water fund and some special trust funds, were as follows:

Taxes on real property	\$3,285,161.59	
Penalties thereon	30,577.85	
		\$3,315,739.44
Taxes on personal property	662,698.22	
Penalties thereon	3,356.94	666,055.16
Special reimbursable taxes	388.97	
Penalties thereon	27.36	416.33
Sundry receipts as follows:		
Licenses	647,684.50	
Rents	34,279.61	
Fines	29,485.58	
Fees	66,258.84	
Miscellaneous collections	82,068.20	
Taxes on property purchased by the D. C.	76.69	859,853.42
Total		\$4,842,064.35

The system of taxation includes, as indicated above, real and personal property. In the case of real property, the value of the land and improvements are assessed separately. No exemptions on account of improvements are allowed.

Property of churches, charitable institutions and certain educational institutions is exempt. More than half of all the real property in Washington is owned by the United States Government, and of course this is exempt from taxation. In lieu of taxes, however, the Federal Government pays one-half the expenses of maintaining the local government, so that the amount available for local government purposes is exactly double the amount indicated above as the total revenue of the District of Columbia.

Assessment.

(a) The law requires that real property be assessed at not less than two-thirds of its actual value. The assessment is revised triennially. The total assessed valuation of real estate in the District of Columbia, for the fiscal year ending June 30, 1905, was \$217,608,296.

(b) The law provides that all tangible personal property, with certain specified exceptions, shall be assessed. The exceptions are, (1) library, benevolent, charitable and scientific institutions, not conducted for private gain; (2) libraries, school books, wearing apparel, articles of personal adornment, family portraits and heirlooms; (3) household and other belongings not held for sale to the value of \$1,000.

The general rate provided for personal property is $1\frac{1}{2}\%$ on the assessed value.

Dealers in general merchandise are assessed $1\frac{1}{2}\%$ on the average stock in trade.

Hotels are assessed $1\frac{1}{2}\%$ on the assessed value of their furniture.

Banks and trust companies 6 % on their gross earnings.

Gas companies 5 % on gross earnings.

Electric lighting and telephone companies 4 % on gross earnings.

Street railroad companies are assessed 4 % per annum on gross receipts.

Insurance companies $1\frac{1}{2}$ % on premium receipts.

Bonding companies $1\frac{1}{2}$ % on gross receipts.

Savings banks having no capital stock, $1\frac{1}{2}$ % on their surplus and undivided profits.

General corporations $1\frac{1}{2}$ % on the value of their capital stock, except that newspaper, real estate and mercantile companies are assessed as individuals.

Building associations 4 % on gross earnings.

As to the extent to which personal property is actually reached by taxation, I am unable to furnish information other than the fact that the total assessed valuation of personal property for the fiscal year ending June 30, 1905, was \$26,575,819.66. As indicated above, the rate on this varies from $1\frac{1}{2}$ % to 6 %. The total amount of taxes being \$666,247.20, the average rate is about $2\frac{1}{2}$ %.

The rate of taxation on real estate is $1\frac{1}{2}$ % per annum. This rate is fixed by Congressional enactment, the local authorities having no power to fix or modify the tax rate. This rate has not increased during the last ten years, except that up until 1903, the law provided that agricultural land should be taxed at a rate of 1 % per annum. The rate of taxation on personal property varies as indicated above. The personal property tax has been in effect only since July, 1902. Prior to that time, there was a personal tax law, which had become inoperative because there was no machinery for its enforcement, and for many years, scarcely any personal taxes had been paid. There was very strenuous opposition to the revival of the personal tax law.

SEATTLE

BY PROF. J. ALLEN SMITH, University of Washington

The revenue which Seattle collects for general municipal purposes is derived mainly from two sources, the general property tax which brought into the city treasury in 1905, \$853,193.77, and liquor licenses which amounted to \$298,717.70. Other sources of income are the profits of the city water works and the city light and power plant, the tax on gross earnings of street railways, fees, fines, etc.

All property subject to taxation is supposed to be assessed at about 60 % of its market value. But as a matter of fact the valuation for this purpose is not uniform. The small property owner has to pay more taxes than he would if all property were assessed at a uniform percentage of its true value. This disparity between the assessed and the market value is greatest in the case of the larger and more valuable pieces of property. The large blocks of unplatted land held for speculation seem to be quite generally favored in

this respect. The most flagrant discrimination, however, is seen in the case of the public service corporations which are invariably unvalued for purposes of taxation. The Seattle Electric Company is a good example. This corporation which controls the street railway system of the city is assessed for taxation at only about one-seventh of what it claims to have invested in the business.

The total assessed value of all property real and personal in 1905 was \$70,026,728.00, of which \$13,003,182.00 was personal property. All street railway tracks, however, are assessed as personal property and the same is true of all tide lands leased from the state. The latter are in many cases of great value, yet they are together with the improvements thereon assessed at an insignificant sum. That personal property very largely escapes taxation is beyond question.

The rate for municipal purposes last year was 15½ mills on the dollar. This is three mills higher than the rate of taxation in 1895. If all real estate were assessed at 60 % of its market value, as it is supposed to be, and all personal property subject to taxation could be made to contribute its due proportion of the municipal revenue, the nominal rate would be very much lower.

The city council fixes the rate of taxation for municipal purposes and in exercising this power is limited neither by constitutional nor statutory provisions. There does not seem to be any disposition on the part of the people generally to oppose a moderate increase in the rate of taxation when it is really needed for the purpose of meeting necessary public expenditures. The complaint most frequently heard is not of high taxes but of unequal assessment.

DULUTH, MINN.

BY W. G. JOERNS, Duluth, Minn.

The main sources of revenue in the City of Duluth are general taxation and miscellaneous sources, such as liquor licenses, general licenses, court fines and fees, etc. From direct taxation there was received in 1905, in round numbers, about \$441,000, from liquor licenses \$173,000, and from other miscellaneous sources about \$42,000 more, the aggregate for the year being about \$656,000. About \$20,000 in addition were collected as "Department Earnings," being fees in different offices, service receipts, etc. The figures of the Water and Light Department are not included in the above.

The system in vogue is the usual one of the general assessment of real and personal property, the franchise value of public service corporations being included in such assessment. The assessment within the corporate limits of the city is made by the city assessor, subject to review by a local Board of Equalization and later by a County Board and finally to equalization by a State Board. The final product is the basis of all taxation, city, county, school and state. The city tax levy is made by the Common Council which, however, is inhibited by charter provision from exceeding in this regard the previously reported estimate of the so-called City Conference Committee.

The levies for county, school and state purposes are made by the duly constituted authorities in the several branches of administration and are subject to limitation by statute.

In the Assessment of Real Property for taxation it has been the local policy to assess the land itself at approximately *one-half* of its market value, the improvements thereon, however, at only about *one-third* the actual value. The personal property is also assessed at only *one-third* its actual value. It is well understood that the personal property assessment is a very unequal one, bearing most heavily in proportion on the small householder and man of moderate means. To quote the words of a competent and reliable public official: "It is comparatively easy to reach a fairly accurate estimate of the personal estate of people of moderate means. A mere glance will often suffice for fairly accurate results. In the returns also of this class there is little to cover up. It is wholly different, however, as to the homes and property of the rich. The rich, as a class, avoid taxation by every means at their command. They cover up and they will not disclose; and it is almost impossible in the vast majority of cases to reach even an approximately correct estimate. It is fair to say that but a very small fraction of the personal property of the rich is ever reached for taxation purposes."

The assessed valuation of the City of Duluth on January 1st, 1906, was \$30,636,328.00. This was made up of Real Property \$23,768,800, and Personal Property \$6,866,528.

The 1905 Rate of Taxation for all purposes was 32.90 Mills, divided, as follows: City 14.90; County 3.57; School 11.40; and State 3.03. Going back for nine additional years, to-wit: from 1904 to 1896, both inclusive, we find the Total Rate at respectively 33.50, 31.40, 34.40, 29.90, 30.00, 24.90, 28.10, 31.40, and 31.40; while the City Rate for the same years was respectively 14.90, 15.10, 17.60, 17.70, 13.70, 13.70, 12.30, and 12.80.

The general public, of course, welcomes a tax reduction. It also is inclined to look with favor upon anything that has merely the appearance of such reduction. Therefore a reduction of the tax rate is usually regarded with favor, while an increased assessment is viewed with more or less suspicion and disfavor. It is easily overlooked that the net result may be the same and that the real difficulty, if there be one, usually lies farther back. There is at present some agitation in the City of Duluth in favor of an increased assessment, to the end that the tax rate may be reduced to an equivalent amount.

Perhaps it may be just as well to call attention here to an imposition against which there is agitation at the present moment and as to which there has been more or less of an angry murmur for some time. I refer to the manner in which the railroad corporations of the state have managed to escape local taxation (even to the extent of evading the payment of local assessments for special improvements) by the payment of a more or less inadequate gross earnings tax into the State Treasury.

The contributions that the railroads thus make to the public revenues are notoriously inadequate. But even if the amount thereof were increased

to a proper proportion, there would remain another element of grave injustice, to-wit: the one of the grossly inequitable distribution of the proceeds.

At the present time the resulting revenue from the gross earnings tax is applied in reduction of the general state tax, regardless of where the revenue is produced. Thus the three ore-carrying railroads of St. Louis County, with terminals at the Head of the Lakes, pay an annual gross earnings tax of approximately \$750,000.00. The other roads with terminals at Duluth pay about \$250,000.00 more. There is thus paid into the State Treasury on railroad business in Duluth and St. Louis County the enormous aggregate of \$1,000,000.00. Of this amount St. Louis County receives back (in the shape of a reduction of the general state levy) but a mere bagatelle and all sections of the state, except the larger terminal cities, receive a hugely disproportionate benefit.

When it is considered that the railroad property in the City of Duluth comprises in value one-third of all the property and is exempt from all local taxation even to the extent of the special assessments for street improvements, that the public expenditures for police, fire department and other purposes are greatly increased by virtue of the presence of such railroads and property in the city, and that the remaining two-thirds of the property is thus charged with the entire burden of local taxation, the grave injustice of the imposition becomes at once apparent.

The present agitation in the matter is directed to the point of securing for St. Louis County and the City of Duluth that proportion of the railroad taxes now paid into the State Treasury as would be justly and fairly due them if this railroad property were assessed for local taxation and contributed its share of the local taxes like other property. It has been estimated by competent authority that the additional amount which would thus flow into the city and county treasuries, in proportionate reduction of local taxation, would be approximately *ninety* per cent. of the railroad gross earnings taxes originating at this point.

MUNICIPAL TAXATION IN HOLLAND.

PROF. H. KIERSCH, Rotterdam, Holland.

The villages and towns in the Kingdom of the Netherlands are known as communes. While they have a government of their own, they are nevertheless subject to the administrative control of the provincial authorities as exercised through a standing committee of the Provincial States. This standing committee supervises the management of the communal property and finances, but in case of a conflict of decisions the final determination of the dispute rests with the central government.

The communes possess but a limited power of taxation. They are forbidden to levy taxes on articles for consumption, articles in course of transportation and on means of communication. Nor can they levy a tax on any

property which is subject to a tax of the central government. But they are allowed to put a surtax, up to a maximum of 50%, on the amount of taxes on realty and on the individual expenses paid to the central government.

The income of the communes is mainly derived from two sources:

1. From receipts for the various services rendered by the institutions, establishments, and public works, of the commune.

2. From a capitation tax, a tax on incomes and a tax on dogs.

The early form of tax on incomes was to levy the tax on a supposedly certified income, so far as it was liable to be ascertained. But this loose method of taxation was too unproductive and precarious and so was abandoned for a more rigorous income tax. The old method still prevails in only one large city, the Hague, and this circumstance coupled with its other attractions has made the capital city the resort of our millionaires.

The two large cities of Amsterdam and Rotterdam with their large masses of workmen and therefore great demand for communal expenditure to supply their social needs, were forced by their necessity for increased revenue to abandon the old form of taxation. The rate of the tax on incomes from realty has risen from 3.4% to 4% in Rotterdam and to 5¼% in Amsterdam. Although their needs were greater, the hostility of the taxpayers to the income tax forced these two cities to resort to a new form of taxation instead of increasing the rate on incomes. So a resort was had to a street-tax, a tax levied on buildings in proportion to their frontage on the street and their rental value.

But the efforts of the cities were insufficient to supply them with enough revenue and it was impossible for the cities to meet the difficulties of their situation. And so the central government to relieve the communal governments from the apparent necessity of violating the fundamental law on taxation was forced to pay large sums to uphold the enfeebled blood-drained corpses of these modern communities. And it is the opinion of many that the state contributions are still too low in view of the increasing burden imposed on the cities by the unshaken, steadily accruing influx to the cities of the country people who are to some extent at least unemployable.

The total actual revenue of Amsterdam was in the past year (1905) more than 20 million gulden and in the same year the revenue of Rotterdam was nearly 13 million gulden. The approximate figures for their revenue from the state—contributions, surtaxes and real taxes—are:

Amsterdam: fl. 3,200,000 fl. 2,200,000 fl. 5,800,000.

Rotterdam: fl. 1,900,000 fl. 847,000 fl. 2,100,000.

Ascending to a provision of the law in Rotterdam, in the interest of the lower and middle classes, 500 gld. is deducted from all incomes before the tax is imposed, and in addition all balances so found, with a maximum of 800 gld., are subject to only 50% of the rate, while in Amsterdam there is no general deduction but the rate on incomes from 6000—2,300 fl. is progressive from 4% to 99½%. And in this latter city a deduction is made according to the number of children so as to especially favor the recipients of the lower incomes, it being possible to secure a maximum reduction of 96.4%.

The rate of taxation for all incomes is the same, whether for a large or a small income. But for convenience sake the various incomes have been divided into classes. In Rotterdam there are 45 classes between the amounts of income from 600 fl. to 12,500 fl. and one class for each additional 1,000 fl. income. And in this city the tax-payer pays the lowest sum in the class in which he falls. In Amsterdam there are fifty classes between the incomes of 600 fl. to 100,000 fl. and one class for each additional 10,000 fl. income. Here the taxpayer pays in proportion to amount of his income, unless he refuses to give a detailed account of his income, under which circumstances he pays a tax on the highest sum of his class, without regard to the fact whether he indicated his income or the tax-assessor. From the decision of this officer, an appeal lies in the first instance to the communal council and for a final decision to the standing committee of the Provincial States.